
PRINCIPLES OF FIDUCIARY SUPERVISION

Type of Participant Targeted

Principles of Fiduciary Supervision (“PFS”) is designed for assistant or commissioned examiners with limited to no fiduciary examination experience. It is expected that attendees will participate in fiduciary examinations upon completion of the course. In addition, after a brief period of on-the-job training, participants should be capable of leading examinations of non-complex fiduciary operations.

Prerequisites

- Pre-course reading¹

Recommended:

- Banking and Supervision Elements

Course Overview

PFS will introduce fiduciary concepts and risk-focused examination processes by focusing on particular fiduciary business lines. Business lines to be discussed in this course will include personal, employee benefit, and corporate trust and agency accounts. The focus will be on non-complex institutions.

Course Objectives

After completing this 4½-day course, the participant, at a minimum, will be able to complete the following objectives for a non-complex fiduciary institution.

- Evaluate compliance with governing laws and fiduciary principles, including conflicts of interest.
- Appraise administration of trust and agency accounts.
- Appraise capability of management to identify, measure, and control risks of fiduciary activities.
- Analyze operations and internal controls and assess adequacy of audit coverage.

¹ While the exact nature of pre-course reading has yet to be determined, the FAC anticipates it will consist largely of the Trust Issues BEST Module and the current Week Two Orientation for Assistant Trust Examiners.

- Appraise the adequacy of processes related to investment of funds.
- Identify unique asset holdings and non-traditional investment products and services.
- Apply risk-focused fiduciary examination principles and the uniform interagency trust rating system.²

Post-Course Intervention

After completing PFS, the participant should be given on-the-job assignments that will increase the retention of the competencies presented during class. Examples of such on-the-job assignments include assisting in the review of the following areas.

- Personal Trust
- Corporate Trust
- Employee Benefit Trust

Overview of PFS Curriculum

Subject	Approximate Class Hours³	Approximate Homework Hours⁴
Fiduciary Concepts		
Asset Management		--
Personal Trusts and Agencies		--
Corporate Trusts and Agencies		--
Employee Benefit Trusts and Agencies		--
Fiduciary Risk Management and Examinations ⁵		--
Totals	32.50	--

Learning Objectives

After completing each section, the participant, at a minimum, will be able to demonstrate the following skills.

² This course objective will be addressed in modules developed and presented by staff of the Federal Reserve System. All other course objectives will be addressed in modules developed and presented by an outside consultant.

³ To be determined.

⁴ To be determined.

⁵ This subject objective will be addressed in modules developed and presented by staff of the Federal Reserve System. All other course subjects will be address in modules developed and presented by an outside consultant.

Fiduciary Concepts

- Distinguish between trust and agency relationships.
- Analyze actual and potential conflict of interest situations and recommend ways to properly handle them.
- Discuss the duties, responsibilities, and powers of a fiduciary.

Asset Management

- Identify primary investment vehicles and products and their related risks.
- Determine the effectiveness of investment policies and procedures.
- Assess the trustee's portfolio management practices and determine if such practices are suitable for the accounts under administration.
- Identify unique types of investments held (e.g., real estate, closely held companies, mineral interests) and analyze the fiduciary's responsibilities in each.
- Discuss the application of the Prudent Investor Rule.

Personal, Corporate, and Employee Benefit Trusts and Agencies

For each business line the participant should be able to:

- Describe the business line and the types and uses of accounts commonly found in it.
- Identify the inherent risks involved with the administration of trust and agency accounts.
- Analyze the trustee's systems for monitoring for compliance with governing documents, fiduciary principles, and applicable laws and regulations.
- Appraise adequacy of internal controls and audits.
- Evaluate an institution's risk management practices in relation to its size, complexity, and level of risk.

Fiduciary Risk Management and Examinations

- Apply risk-focused fiduciary examination principles and the Uniform Interagency Trust Rating System in a case study.
- Appraise the capability of management to identify, measure, and control risks.

Class Size

The optimal class size for PFS is approximately 25 to 30 participants. To provide sufficient variety of interaction among class participants, the minimum class size should be 16 participants.

Instructors

PFS includes one or two instructor(s) from the Federal Reserve System and one or two instructors from an external consultant. Federal Reserve instructors will present materials related to System examination techniques and application of the Uniform Interagency Trust Rating System. Remaining materials will be presented by outside instructors.